

**REGULAR STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

December 2, 2011

The regular meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:33 a.m., Friday, December 2, 2011.

MEMBERS PRESENT: Robert J. Entringer, Chairman *(Office)*
 Melanie Stillwell, Member *(Cell Phone)*
 Steve Tonneson, Member *(Minot)*
 Darlene Watne, Member *(Minot)*

MEMBER ABSENT: Paul Brucker, Member

ALSO PRESENT: Aaron Webb, Secretary *(Office)*
 Suzette Richardson, Administrative Staff Officer *(Office)*
 Janilyn Murtha, Assistant Attorney General *(Office)*
 Corey Krebs, Chief Examiner – Credit Unions *(Office)*
 Jeff Olson, CU Association of the Dakotas *(Office)*

APPROVAL OF MINUTES

Chairman Entringer indicated he has minor corrections to the September 23, 2011, minutes.

It was moved by Member Watne, seconded by Member Stillwell, and unanimously carried, with Member Brucker absent, to approve the minutes of September 23, 2011, as corrected.

TOWN AND COUNTRY CREDIT UNION, MINOT – MODIFIED ORDER

Chairman Entringer explained the Department received a copy of the Settlement Agreement between Town and Country Credit Union, Minot, and Dakota West Credit Union, Watford City, regarding the appeal of the State Credit Union Board's decision to approve the application by Town and Country Credit Union to establish a branch in Stanley. Chairman Entringer indicated one condition in the Settlement Agreement is that Town and Country Credit Union would request the State Credit Union Board to amend its Order and state that they cannot commence business at the branch in Stanley before June 15, 2012. Chairman Entringer indicated the Department modified the Board's original Order to provide that Town and Country Credit Union must commence business at its branch in Stanley no earlier than June 14, 2012, and no later than December 31, 2012. Chairman Entringer explained that Town and Country Credit Union can ask the State Credit Union Board for an extension beyond December 31, 2012, if necessary.

Member Tonneson asked if this was the main condition of the Settlement Agreement.

Assistant Attorney General Murtha explained the other provisions contained in the Settlement Agreement are: (1) Town and Country Credit Union, Minot, would be establishing a branch in Stanley; (2) Dakota West Credit Union, Watford City, would be withdrawing its objection to Town and Country Credit Union's establishment of a branch in Stanley; and (3) the addition of the delayed start date of June 15, 2012.

Assistant Attorney General Murtha indicated the Settlement Agreement was reached between the two parties without any involvement from the Department or herself.

Assistant Commissioner Webb indicated if a motion is made to approve the Modified Order, it should include authorizing Chairman Entringer to sign the Modified Order on behalf of the State Credit Union Board.

It was moved by Member Watne, seconded by Member Tonneson, and carried by a vote of 4 to 0, with Member Brucker absent, to approve the Modified Order regarding the application by Town and Country Credit Union, Minot, to establish a branch in Stanley.

GENIE-WATT CREDIT UNION, BISMARCK – APPLICATION TO DISCONTINUE A BRANCH

Chairman Entringer indicated Genie-Watt Credit Union has requested approval to close its branch located at 1424 West Century Avenue, #204, Bismarck, effective December 31, 2011. Chairman Entringer indicated the Department has drafted a proposed Order for Cancellation of Permit.

Chief Examiner Krebs indicated the type of volume at this branch is questionable and that a loan officer was never available at this branch; therefore, Genie-Watt Credit Union decided the expense to operate this branch is not warranted.

It was moved by Member Watne, seconded by Member Tonneson, and carried by a vote of 4 to 0, with Member Brucker absent, to approve the application by Genie-Watt Credit Union, Bismarck, to close its branch located at 1424 West Century Avenue, #204, Bismarck, effective December 31, 2011, and that Chairman Entringer be authorized to sign the Order for Cancellation of Permit on behalf of the Board.

WESTERN COOPERATIVE CREDIT UNION, WILLISTON – APPLICATION TO DISCONTINUE A BRANCH

Chairman Entringer indicated Western Cooperative Credit Union has requested approval to close its branch located at Walmart, 42nd and Hwy 85, Williston. Chairman Entringer indicated the Department has drafted a proposed Order for Cancellation of Permit.

Member Stillwell indicated there is a problem staffing this branch due to the economy in Williston and because loans have not been provided at the branch, it was decided the expense to operate this branch is not warranted. Member Stillwell indicated the credit union's lease expires at yearend 2011; however, Walmart requested the branch remain open through the holidays, which would make the close date effective January 15, 2012.

It was moved by Member Tonneson, seconded by Member Watne, and carried by a vote of 4 to 0, with Member Brucker absent, to approve the application by Western Cooperative Credit Union, Williston, to close its branch located at Walmart, 42nd and Hwy 85, Williston, effective January 15, 2012, and

that Chairman Entringer be authorized to sign the Order for Cancellation of Permit on behalf of the Board.

WESTERN COOPERATIVE CREDIT UNION, WILLISTON – REQUEST FOR ADDITIONAL INVESTMENT IN CUSO

Member Stillwell explained that Western Cooperative Credit Union already has an investment in a CUSO, Credit Union Service Organization, as well as owning half of the Cooperative Insurance Agency with Farmers Union Insurance. Member Stillwell noted that the credit union also owns an insurance agency, WCCU Insurance. Member Stillwell stated the credit union has the potential to buy a successful long-time independent insurance agency located in Williston. Member Stillwell indicated the owner is retiring and asking the typical 1½ times commission. Member Stillwell indicated an agent that has worked for the insurance company for 10 years would stay with the agency as an employee of the credit union.

Member Stillwell reviewed financial projections she provided for the Board's review, adding that she was conservative regarding commissions and high regarding expenses, which shows the credit union could make this purchase work.

Member Stillwell indicated the owner is cooperative minded and approached the credit union with the offer to buy the insurance company.

Member Stillwell indicated she believes even if commissions deteriorate the credit union could pay for the insurance company in approximately four years.

Member Stillwell indicated the credit union's Board of Directors recently met and would like to proceed with this purchase if approval is granted by the State Credit Union Board. Member Stillwell indicated the sale price is approximately \$670,000, adding they are aware there will also be setup costs, which brings the total request for additional investment authority to \$800,000.

Member Stillwell indicated the credit union would have a total investment in its CUSOs would be approximately \$1.1 million, which is half of what the credit union is allowed to investment under regulation.

Chairman Entringer indicated it is very straight forward and recouping the investment would be fairly short term. Chairman Entringer indicated the Department recommends approval of this request.

Member Tonneson asked if this will be run as a separate third insurance agency, and Member Stillwell indicated that is correct.

Chief Examiner Krebs indicated he has no concerns regarding this request, adding the costs presented are consistent with other insurance agencies.

It was moved by Member Watne and seconded by Member Tonneson to approve the request of Western Cooperative Credit Union, Williston, to invest an additional \$800,000 in its CUSO, and that Chairman Entringer be authorized to sign the Order on behalf of the Board. The motion carried by a vote of 4 to 0, with Member Brucker absent and Member Stillwell abstaining.

CAPITAL CREDIT UNION, BISMARCK

Assistant Commissioner Webb explained that on September 23, 2011, the State Credit Union Board approved the request by Capital Credit Union to increase the investment in its CUSO by \$50,000. Assistant Commissioner Webb indicated it was not made a part of the motion to allow Chairman Entringer to sign the Order on behalf of the State Credit Union Board.

Assistant Commissioner Webb indicated the date on the Order has been changed from September 23, 2011, to today's date.

It was moved by Member Watne, seconded by Member Stillwell, and carried by a vote of 4 to 0, with Member Brucker absent, to grant Chairman Entringer authorization to sign the Order approved the request by Capital Credit Union, Bismarck, for an additional investment of \$50,000 in its CUSO.

CREDIT UNION BUDGET

Chairman Entringer reviewed the October 31, 2011, credit union budget with the Board, indicating travel expenses have increased in the western part of the state due to the oil activity.

Member Watne referred to the Professional Fee and Services line item and asked what is included in that amount. Chairman Entringer explained this covers legal expenses from the Attorney General's Office.

RATING THE EARNINGS

Chairman Entringer indicated the Board reviewed Chief Examiner Krebs' Memorandum at its previous meeting on September 23, 2011; however, explained he made changes to basically address how the earnings component impacts the other ratings.

Chairman Entringer indicated he would like to meet with Member Brucker; Jeff Olson, CU Association of the Dakotas; and Robbie Thompson, Mid-America Credit Union Association, to discuss this Memorandum before it is provided to all state-chartered credit unions.

Member Watne indicated she felt it is very well written.

At the request of Member Tonneson, Chairman Entringer reviewed the changes made to the Memorandum. Chairman Entringer indicated the main change is to clearly emphasize that the components impact each other.

Chief Examiner Krebs indicated credit unions have been confused by the component ratings and question how they are determined; therefore, the goal is that this Memorandum will explain the ratings process.

Member Watne asked if the Memorandum will be provided to all state-chartered credit unions and also if the Department will be requesting feedback from the credit unions. Chief Examiner Krebs indicated the Department's intent is if credit union managers do not understand what is presented in the Memorandum they should contact the Department.

Member Stillwell stated she feels the Memorandum contains necessary information and is well written.

It was agreed that after the Memorandum is reviewed with Member Brucker, Mr. Olson, and Mr. Thompson it would be provided to all state-chartered credit unions.

2012 MEETING DATES

The Board agreed the meetings should continue to be held the first Friday of March, June, September, and December; therefore, the 2012 meeting dates will be March 2, June 1, September 7, and December 7.

TOWN AND COUNTRY CREDIT UNION, MINOT – APPLICATION FOR A CONSTRUCTION AND DEVELOPMENT LOAN LIMIT WAIVER

Chairman Entringer indicated at its meeting held September 23, 2011, the Board approved Town and Country Credit Union's application requesting a waiver from the construction and development loan limit outlined in Part 723.3 of NCUA's rules and regulations, as well as the limit outlined in Section 13-03-16-05 of the North Dakota Administrative Code. Chairman Entringer indicated the waiver request was sent to NCUA for their review.

Chairman Entringer indicated Town and Country Credit Union was already in violation of 15% limit; therefore, the Department received a copy of NCUA's November 29, 2011, letter to the credit union denying the request, and stating the request can be re-evaluated when the credit union is no longer in violation.

Chief Examiner Krebs added that NCUA also indicated an examination of Town and Country Credit Union should be conducted before the waiver request is resubmitted.

Member Tonneson asked if the denial of the waiver request will affect the credit union's ability to establish the branch in Stanley, and Chairman Entringer stated it would not.

The Board moved into closed session at 10:09 a.m., to review Supervisory Reports of Examination pursuant to Section 6-01-07.1 of the North Dakota Century Code.

Robert J. Entringer, Chairman

Aaron K. Webb, Secretary